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UNITED STATES GRAND JURY
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

RE: INVESTIGATION OF ENRON

BE IT REMEMBERED that on the 1st day of July,
2004, beginning at 9:40 a.m., in the Federal Building,
515 Rusk Avenue, Houston, Texas, the United States Grand
Jury convened, at which time the following proceedings
were had and testimony adduced as hereinafter set forth.

TESTIMONY OF SHERRIE GIBSON

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I, IDA H. SALINAS, CSR, a Certified Court
Reporter and Notary Public in and for the State of Texas,
previously appeared before the Foreman of the Grand Jury,
at which time I was sworn in as the reporter for the
United States Grand Jury.

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A P P E A R A N C E S

Special Assistant United States Attorney JOHN
HUESTON appearing for the United States of America.

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1 (Witness sworn.)

2 SHERRIE GIBSON, SWORN

3 EXAMINATION

4 BY MR. HUESTON:

5 Q Good morning, Ms. Gibson.

6 A Hi.

7 Q If you could keep the microphone close to you and
8 to keep your voice up -- the acoustics in the room are
9 somewhat challenging -- so that everybody in the room can
10 hear you.

11 A Okay.

12 Q Great. First, could you spell -- say and spell
13 your name for the record.

14 A I'm Sherrie Gibson. Sherrie is S-h-e-r-r-i-e;
15 Gibson, G-i-b-s-o-n.

16 Q Great. I want to review with you first briefly
17 your rights and obligations as a witness before this Grand
18 Jury today. You understand you are testifying here today
19 under oath and that a record is being made by a court
20 reporter?

21 A I do.

22 Q And do you understand that you have an overriding
23 obligation to tell the truth and that if you lie about
24 anything material to this Grand Jury's investigation, you
25 could be prosecuted for the crimes of perjury and

1 obstruction of justice?

2 A (Witness nods head.) I -- I am.

3 Q Okay. And just -- I know you're nodding your
4 head --

5 A Okay.

6 Q -- but you've got to make a --

7 A I've got to make a verbal.

8 Q Yes.

9 A Okay.

10 Q Thank you.

11 You also have a right, as anyone that is
12 before the Grand Jury, to be represented by an attorney in
13 connection with your appearance. Do you understand that?

14 A I do.

15 Q And do you have a lawyer today?

16 A I do.

17 Q Could you state his name for the record?

18 A His name is George Murphy.

19 Q And is Mr. Murphy in the courthouse with you
20 today?

21 A Yes, he is.

22 Q Do you understand you can't have a lawyer in this
23 room with you; but if you wish to excuse yourself on a
24 reasonable basis to consult with him, you may do so?

25 A I understand.

1 Q Okay. So, if at any time you need a break and
2 you want to consult, just simply indicate; and we'll let
3 you have some time with him. Do you understand that?

4 A I do.

5 Q Okay. You also understand that you have the
6 right to refuse to answer any question based on the
7 grounds of your Fifth Amendment privilege if you believe
8 in good faith that a truthful answer might tend to
9 incriminate you?

10 A I do.

11 Q Okay. Any questions at all about your rights and
12 obligations as a witness?

13 A No.

14 Q All right. Ms. Gibson, you've testified before
15 in the Grand Jury; and you've given your background and
16 some testimony before. We may reference some of that. In
17 fact, I have a transcript here from -- if we need that to
18 refresh recollection. You've already provided a sketch of
19 your educational history and employment history; but for
20 the benefit of the Grand Jurors, if we can go through some
21 of that again, I think that would be helpful.

22 Could you just please briefly describe your
23 educational background?

24 A I have a B.B.A. in accounting and finance from
25 Texas A&M University.

1 Q And when did you get that degree?

2 A May of 1982.

3 Q Okay. And did you get an advanced degree after

4 that?

5 A No, I did not.

6 Q Did you become a CPA at a certain time?

7 A Yes, I did.

8 Q What year was that?

9 A 1987.

10 Q Okay. That's when you became a certified public

11 accountant?

12 A I don't know if that's when I passed my test or

13 that's when I got my license, but...

14 Q But sometime in that --

15 A Yes.

16 Q -- time period?

17 A Sometime in that.

18 Q Okay. And after you got your degree in

19 accounting, where did you -- briefly, where did you work

20 over the course of the next few years?

21 A I started at Peat Marwick Mitchell.

22 Q And what is that, just for the Grand Jury?

23 A I think now it's KPMG. It used to be one of the

24 Big 8.

25 Q Accounting firms?

1 A Accounting firms.

2 Q Okay.

3 A Now I think there's five or six.

4 Then -- I worked there for two years. I

5 went to work for a year at American Medical International,

6 AMI.

7 Q What did you do there?

8 A I was a financial analyst.

9 Q Okay. And then what did you do?

10 A And then after that, I worked for the Finger

11 family here in Houston, Jerry Finger.

12 Q In what capacity?

13 A I was their personal accountant.

14 Q How many years did you --

15 A I worked for them approximately 12 years.

16 Q And were you their sole accountant?

17 A Correct.

18 Q And then --

19 A Well, take that back. I'm -- I did have an

20 assistant later on. I had someone else to help as well.

21 Q All right. You were their --

22 A Right.

23 Q -- chief accountant?

24 A Right.

25 Q And then after that, did you have a short time in

1 another job?

2 A Yeah. Briefly I worked for Johnson Bender &
3 Company in a -- more of a financial capacity.

4 Q What do you mean by that?

5 A Well, they were an investment -- he was a
6 certified financial planner, and I was looking at changing
7 careers and going from accounting more to investment. And
8 while I was there, I took my Series 7 and 63; and I was
9 looking at doing more of the investment side. In order to
10 prepare financial plans, you had to have some of those
11 credentials.

12 Q Okay. And did you pass your Series 7 exam?

13 A Yes, I did.

14 Q And could you just explain for the Grand Jury
15 very briefly what is the Series 7 exam? What does that
16 qualify you to do?

17 A To be quite -- I don't remember.

18 Q Just generally.

19 A I know that you needed it to be able to talk to
20 people about your -- about investments, that you had to
21 have some certifications.

22 Q Okay. It's like a lot of broke -- stockbrokers
23 apply for Series 7 to buy and sell securities? Is that
24 ringing any bell?

25 A I mean -- correct, I'm sure.

1 Q Okay. And the reason you wanted to get a
2 Series 7 license was what?

3 A I didn't want to.

4 Q Okay.

5 A It was my boss. Well, it was one of the
6 requirements whenever you would talk to like a client
7 about financial planning, that you had to have certain
8 credentials.

9 Q So, then by that point in time, you had had
10 background in both accounting and then in financial
11 planning?

12 A I wouldn't say I really had a background in
13 financial planning. I mean, I felt like I was exposed to
14 it; but I wasn't with it long enough.

15 Q Okay. But you took --

16 A I had an exposure.

17 Q Sure. You took the Series 7 exam, passed it, and
18 did some --

19 A It was a lot of memorization.

20 Q Okay. But after that -- I mean, you were working
21 to do some financial planning for Johnson Bender &
22 Company. Right?

23 A I would -- correct, I guess.

24 Q Okay. And then what did you do after that?

25 A Oh, then I went to work for the Lay family.

1 Q And roughly, what time frame was that?

2 A In the end of 1997.

3 Q All right. Do you remember what month that was?
4 Was it November of '97?

5 A It was November 3rd of '97.

6 Q Okay. And when you began November 3rd of '97,
7 what were you hired to do? What was your title, and what
8 were your duties and responsibilities?

9 A I think we decided that my title was going to be
10 controller; and my responsibilities were to prepare
11 financial statements and to do any financial matters that
12 you would need to do for you -- individual, as a person,
13 pay bills...

14 Q Okay. And did you serve in that capacity through
15 May of 2002?

16 A Correct.

17 Q All right. Did your job responsibilities change
18 at all during that time period of approximately November
19 of '97 through May of 2002?

20 A No.

21 Q Okay. And in May of 2002, I think you testified
22 previously, you left -- correct --

23 A Correct.

24 Q -- on a full-time basis?

25 A Correct. Well, I was really never full-time. I

1 was part-time, but it always turned out to be more than
2 part-time.

3 Q I see. And so, just briefly for the Grand Jury,
4 why did you leave in May of 2002, and then what did you do
5 next?

6 A Well, I have three children; and I was working a
7 lot of hours. So, I wanted to -- to spend more time with
8 the family. So, then I -- I found -- you know, I quit my
9 job.

10 Q Okay. But did you continue to work for the Lay
11 family interests on a contract basis?

12 A I did because there were some projects. I think
13 the Justice Department had asked for some -- some
14 different reports; and so, it enabled me to work on a
15 part-time basis.

16 Q And how long did you continue to work on a
17 part-time basis? Did you continue to work periodically on
18 a part-time basis through even today?

19 A No. I haven't done that for some time.

20 Q Okay.

21 A I really don't remember.

22 Q When's the last time you did any contract work
23 for the Lay family interest?

24 A I think summer of last year.

25 Q Okay. And what were you doing the summer of last

1 year?

2 A I was helping do some tax preparation, doing work
3 papers.

4 Q Okay. And before that?

5 A That was just a brief -- I don't remember. I
6 mean, right after I had quit my job, I did -- worked on
7 those projects, I think, through summer. And then I might
8 have been there two other times, three other.

9 Q Are you currently working either for another
10 company or person or -- on a contract basis?

11 A I'm currently working part-time for Commerce
12 Convenience, Ltd.

13 Q What's that?

14 A It's a limited partnership that has a convenience
15 store.

16 Q Okay. And what are you doing in that position?

17 A I keep track of the books, set up the books.

18 Q You're an accountant for them?

19 A Correct.

20 Q Are you the only accountant?

21 A There is another person who assists me, but I'm
22 probably the only accountant.

23 Q All right. The last time when you appeared
24 before the Grand Jury, you were describing your duties and
25 responsibilities and you said, "I acted more as a

1 facilitator of information, prepared monthly statements,
2 also prepared any quarterly reports, just kept the flow of
3 information going." Does that sound familiar?

4 A Yes.

5 Q What did you mean by "just kept the flow of
6 information going"? What does that mean?

7 A I felt that part of my job was just to make sure
8 that if someone needed information, that I was able to
9 provide it, whether it was a bank asking for information
10 or just to keep abreast of what we needed for taxes.

11 Q Okay. Another thing you talked about was, "My
12 primary job was to make sure that they had accurate
13 information on which others could then make decisions."
14 What did you mean by that?

15 A I just prepared accurate financial statements.

16 Q And then others would make decisions about what
17 investments to make and -- and the like. Is that right?

18 A Correct.

19 Q All right. And as part of your duties and
20 responsibilities, did you maintain all the financial
21 records --

22 A Yes.

23 Q -- for the Lay family interest?

24 A Yes.

25 Q And you described this previously, but can you

1 just quickly describe what that would have encompassed?

2 It encompassed Mr. Lay and Mrs. Lay and their personal
3 accounts. Right?

4 A Correct.

5 Q And then what are the other entities that you
6 oversaw?

7 A There were family partnerships. There was a
8 private foundation, and then there was some other limited
9 partnerships.

10 Q All right. Now, Mr. Herrold started in August of
11 '99. Do you remember that, roughly?

12 A Roughly.

13 Q How did your duties and responsibilities change,
14 if at all, once he arrived?

15 A He really took over more of the investments.
16 Many times we had cold calls, and he would take over
17 handling those.

18 Q Well, when you -- before he arrived, the
19 investment prospectuses and other inquiries arrived, what
20 would you do without him there? Would you have just
21 forwarded it to Mr. Lay?

22 A Correct.

23 Q All right. And then afterwards he became the
24 person who would look at --

25 A Correct. He was more of an in-between -- right.

1 Q He would have -- he would be the one having
2 dialogue with Mr. Lay on that issue?

3 A Correct.

4 Q You also testified previously that you prepared
5 detailed financial statements. Is that right?

6 A Correct.

7 Q And can you just briefly describe for the Grand
8 Jury what you were preparing? What were these financial
9 statements?

10 A I prepared a balance sheet, income statement, and
11 they were very detailed. And then I also prepared -- now,
12 those are the two basic financial statements that I
13 prepared.

14 Q Okay. There's a book in front of you, and I'll
15 ask that you turn to Tab 14, if you will.

16 A (Witness complies.)

17 Q Take a look at the pages there at Tab 14, and
18 I'll ask if you recognize this.

19 A Yes. Yes.

20 Q All right. What are this -- series of pages here
21 at Tab 14, which is Exhibit B-14, for the record?

22 A The first page is a balance sheet comparison. I
23 would take the prior month and compare it to the current
24 month and then try to say why it changed, at a snapshot of
25 something, you know, he could just look at it and -- or

1 whoever was looking at this would know.

2 Q Well, this went to Mr. Lay. Right?

3 A Correct.

4 Q And who else would it go to?

5 A It went to Mrs. Lay. Went to our CPA firm,

6 Margolis, Phipps & Wright. I don't know if I sent that

7 sheet to anybody else.

8 Q All right. Would Ms. Ballard get a copy of this?

9 A Who?

10 Q Ms. Keepers.

11 A Oh. I'm sorry. She got married.

12 I wouldn't send -- I mean, I would send a

13 package to Ken, but I wouldn't send one to her.

14 Q Okay. That's the first page.

15 And by the way, while we're on that first

16 page, why did you create this? Whose idea was it to come

17 up with a balance sheet comparison?

18 A It had been done before I started.

19 Q All right. Something that Mr. Lay wanted?

20 A I think he -- I assume.

21 Q He was interested in seeing these done on a

22 monthly basis?

23 A Correct.

24 Q All right. And then behind that there is some

25 documents entitled Balance Sheet Analysis. What are

1 those?

2 A Oh, that's a detail of all the, like,
3 sub-accounts within a certain category.

4 Q Okay. And this would be provided to the same
5 people you just mentioned on a monthly basis?

6 A Correct. In addition to the -- the Emery
7 Financial Group would also get these.

8 Q All right.

9 A And Beau. I made like five or six packets.

10 Q Beau Herrold would get them as well?

11 A Beau Herrold. Right.

12 Q Once he arrived?

13 A Correct.

14 Q Now, you had mentioned -- was there anything else
15 that you were creating on a monthly basis? You mentioned
16 something about an income statement. Is that not here?
17 Is there some other document that you were creating on a
18 monthly basis?

19 A It was whatever would print off the system,
20 whatever the accounting package was capable of.

21 Q What do you mean by that?

22 A There also -- I would print a Schedule D.

23 Q On a monthly basis?

24 A Yes.

25 Q And what is Schedule D?

1 A It's -- it's your stock sales or your activities.

2 Q Did you print that from Financial Navigator?

3 A Yes. It was just an automatic. And then I would

4 make sure -- it would help me keep track on a monthly

5 basis all -- all the different stock activity.

6 Q Cash flow, in essence?

7 A I didn't do a cash flow.

8 Q Okay. The stock activity Schedule D, would that

9 be distributed also to the same people?

10 A Yes. I think it -- yes.

11 Q Okay. And can you just describe for the Grand

12 Jury then what would be on this Schedule D, month to month

13 what would be on there? What would be --

14 A It's a Schedule D. That's like part of your tax

15 return. It just shows you the name of the stock, the date

16 you acquire it, the date you sold it, what you paid for

17 it, and then your purchase price, and then your sales

18 price.

19 Q Okay. So, each month you would produce this

20 schedule and distribute it to Mr. Lay, Mrs. Lay, the --

21 you -- I think you said the people at --

22 A The CPA --

23 Q -- Margolis --

24 A -- firm -- yeah, Margolis Phipps & Wright, to the

25 Emery Financial Group because then they would check -- it

1 would -- we kind of checked each other so I didn't miss
2 anything. And to Beau Herrold.

3 Q All right. Now, when you arrived, what was your
4 understanding as to who was handling paperwork and some of
5 the finances prior to your arrival?

6 A They had someone part-time that was working two
7 days a week that would prepare the financials -- or, I
8 guess, that took care of whatever needed to be done.

9 Q Okay. Was Ms. Keepers, who is now Ms. Ballard,
10 also assisting in that capacity in terms of facilitating
11 the information flow?

12 A Yes.

13 Q And did you take over some of her old
14 responsibilities when you came in?

15 A I'm not sure.

16 Q Did you have a discussion with her when you
17 arrived, "Well, this is what I'll be doing"? Did she tell
18 you what she had been doing?

19 A I don't remember.

20 Q You don't remember any -- you don't remember any
21 sort of meeting where you would have discussed what she
22 did and what kind of responsibilities that you would now
23 have to do?

24 A No.

25 Q Okay. Well, once you arrived, what was your

1 understanding as to what she was doing then with respect
2 to the flow of information on financial matters or in any
3 way working with you or to assist you in your duties and
4 responsibilities?

5 A That she would pay the bills associated with the
6 household.

7 Q All right. And would she keep you updated when
8 she did that?

9 A Correct. We actually shared -- we were actually
10 both doing entries to the same -- like she would write
11 checks. So, we had to be sure it was the same set of
12 books. So, she would enter checks that she had written.

13 Q Into the Financial Navigator --

14 A Correct.

15 Q -- system?

16 Because you were in two different locations?

17 A Correct.

18 Q So, how would you keep yourselves linked up then
19 being in two different locations? How did that work?

20 A We used pcAnywhere, and it was the ability to
21 transfer files from one location to the other.

22 Q Now, you've mentioned that you were not -- you
23 did not have as part of your duties and responsibilities
24 any role in choosing investments for Mr. Lay. Correct?

25 A Correct.

1 Q In fact, before Mr. Herrold arrived, if there was
2 information that came in, you would simply pass it on to
3 him. Right?

4 A Correct.

5 Q All right. Did you have an administrative role
6 with respect to the various investment accounts,
7 stockbrokerage accounts? How did you --

8 A What do you mean by "administrative"?

9 Q I think you testified last time that you had an
10 administrative -- you administered the accounts. What did
11 you do with respect to the investment accounts, if
12 anything?

13 A When I would get the -- I mean, that's what I
14 used to prepare my financials -- the financial statements
15 were the stockbroker accounts.

16 Q And what did you do with respect to those? I
17 mean, did you just review -- if you could explain to the
18 Grand Jury, did you just review the monthly statements and
19 transfer the information onto your monthly reports?

20 A Correct. I mean, that's what I did.

21 Q Anything else with respect to those investment
22 accounts?

23 A No.

24 Q Same with brokerage accounts, did you have any
25 sort of role other than transferring information from the

1 documents, the monthly statements?

2 A No.

3 Q By the way, what did you do -- let me ask you
4 this: Were the monthly statements for various investment
5 accounts, bank statements, brokerage accounts, were they
6 sent to your attention or to Mr. Lay's attention? Who
7 received all those documents on a routine basis as they
8 arrived from outside sources?

9 A There was no one -- I mean, they went to various
10 addresses. The bank statements went to the home address.

11 Q Would they be then forwarded to you?

12 A Correct.

13 Q Okay. And why would they go to the home address
14 as opposed to you? Was that because Mr. Lay wanted to get
15 them himself?

16 A Mrs. Lay wanted to look through it.

17 Q Okay.

18 A And one of the controls -- I think the CPA firm
19 wanted someone else besides, you know, me or whoever was
20 writing the checks to be sure and, you know, look, you
21 know, to see that, you know, everything was in order.

22 Q Okay. And what kind of controls were put in
23 place to assure that, if you could explain that? So,
24 monthly bank statements went to the house?

25 A House.

1 Q And Mrs. Lay --

2 A Reviewed them, went through all of them. And if
3 she had any questions, she would ask us. So, we would
4 make a copy of an invoice and forward it to her.

5 Q Would that be bank statements for which accounts?
6 All accounts for the Lays?

7 A Correct.

8 Q Okay. And what kind of questions would she
9 ask -- would be the examples of questions?

10 A I might have been told to pay a bill, and then
11 she just wanted to see how much it was for or who it was
12 for. I don't remember any specific instance.

13 Q Okay. I mean, would there be times where she'd
14 say, "Look, I'm looking at last month's monthly statement.
15 I'm just wondering like why" -- "what happened here" or
16 "what this check was for" or "Why did we incur this
17 expense?"

18 A She would do it -- I mean, she did -- I mean, I
19 just remember a couple of times.

20 Q Okay. What do you remember about those couple
21 of -- what sorts of inquiries were made?

22 A What you just asked.

23 Q That sort of thing?

24 A Uh-huh.

25 Q Okay. And what about with the statements for the

1 bank lines of credit that the Lays had, would she review
2 those also? Were those sent to the house?

3 A We didn't get statements on lines of credit.

4 Q Okay. What kind of information was coming
5 from --

6 A Well, I take that back. I mean, we got -- I
7 guess there were invoices for interest payments.

8 Q Okay.

9 A But I don't remember any statements.

10 Q Okay. And then what other controls were there
11 set up? You mentioned bank statements were sent to the
12 house, and then they were forwarded to you.

13 A Right.

14 Q What other controls do you recall?

15 A Well, one was the sending of the financials to
16 the CPA firm and -- so everyone could see the activity
17 every month.

18 Q "Everyone" meaning who?

19 A Well, who I sent the financials to, Mr. and
20 Mrs. Lay, the CPA firm, and then --

21 Q Where the money was coming from or where it was
22 going?

23 A Well, correct. And then they had a snapshot of
24 where it was.

25 Q Okay. And what other controls do you recall?

1 A I don't remember any others.

2 Q All right. Once an investment was made -- let's
3 say there's \$2 million to be used to open an investment or
4 start an investment, who decided what source of funds to
5 use to make that investment? In other words, did you get
6 directions on that as well, "Look, you're going to use
7 this line of credit, let's take 2 million from this" and
8 then you entered that information into the monthly
9 statements?

10 A That sounds right.

11 Q Okay. And who would you confer with to get
12 direction on use of lines of credit? Mr. Lay. Correct?

13 A And Beau.

14 Q Okay. But prior to Beau arriving, it would be
15 Mr. Lay that you're talking to with respect to these sorts
16 of directions. Right?

17 A Correct.

18 Q Okay. Did you ever talk to Mrs. Lay about
19 multimillion-dollar investments and which lines of credit
20 to use or was it Mr. Lay who did that?

21 A The only investment that I talked with Mrs. Lay
22 about were some -- was some property that she wanted to
23 have purchased.

24 Q Okay. So, other than that, it would be Mr. Lay
25 who would provide you with direction in terms of what

1 source of funds to use for various investments that he was
2 deciding to make. Correct?

3 A Correct.

4 Q Okay. And once Mr. Lay provided you with an
5 indication or a direction as to which account to draw it
6 from, how did you do that? What would you do next? How
7 would you execute it? How would you make it happen?

8 A Well, I would -- if it was on a line of credit, I
9 would contact the bank and request that we draw down on
10 the line of credit and transfer the funds to the bank
11 account.

12 Q Okay. Did you create wiring instructions to
13 facilitate this?

14 A Yes, I did.

15 Q Okay. Let me have you turn to Exhibits 4 and 5,
16 which are at your Tabs 4 and 5. Now, the first set,
17 Tab 4 -- well, I'll tell you, just go ahead and page
18 through Tab 4 first.

19 A (Witness complies.)

20 Q And I'll turn the overhead on as well.

21 Tab 4 appears to be -- has a number of what
22 appear to be wiring instructions from Sally Keepers, but
23 at times there are entries or mentions of your name. So,
24 I just want to talk about that with you a little bit. Do
25 you recognize these forms at Tab 4?

1 A Now that I see them, yes.

2 Q All right. And at times when Ms. Ballard -- or
3 Ms. Keepers -- let's just call her Ms. Ballard because
4 that's her -- now her name. But on these forms it says
5 Sally Keepers. Correct?

6 A Correct.

7 Q When she would create these wiring instructions,
8 would she let you take a look at them so you could help
9 keep track of things in your finance -- financials?

10 A She would enter this as well. I mean, she
11 would -- she could enter this as well.

12 Q Okay. But would she then forward a copy to you
13 so you knew where the moneys were going and...

14 A I really don't remember.

15 Q Okay. Well, you would have to know -- you would
16 have to log in and know where the moneys were going to and
17 from. Right?

18 A Well, right. I mean, once I got the file back, I
19 would see; but I don't know if I got this particular piece
20 of paper.

21 Q Okay. All right. And then if you turn to Tab 5,
22 if you can just page through Tab 5, at times you
23 actually -- that's Exhibit 5 -- prepared the wiring
24 instructions. Correct?

25 A Correct.

1 Q And if you could just page through all of those
2 and just let me know if, in fact, those are -- appear to
3 be copies of wiring instructions that you prepared.

4 A Yes.

5 Q All right. Let me just show you some from
6 Exhibit 4. If I can have you turn back to Exhibit 4.

7 A (Witness complies.)

8 Q So, for instance, this is an example, facsimile
9 cover sheet from Sally Keepers -- that's who's now Sally
10 Ballard. Right?

11 A Correct.

12 Q -- to Tiffany Pace. Who is Tiffany Pace? Do you
13 remember? Was she a bank representative at NationsBank
14 which became Bank of America?

15 A She must -- yes, she must have been.

16 Q Okay. And then here it says, "Comments....I need
17 two things. Please advance 2.3 million from KLL's secured
18 line" -- sorry about that folks.

19 Actually, if you could just read that aloud
20 as I'm getting it out. What does it say there in the
21 wiring instructions?

22 A I'm on --

23 Q The first page. Do you see it?

24 A Oh, the -- oh. "Please advance 2.3 million from
25 KLL's secured line" --

1 Q That's Ken Lay?

2 A Yes.

3 Q -- "over to the" --

4 A To --

5 Q -- something "account today"?

6 A Right. That --

7 Q The 0707 account.

8 What's the 0707 account?

9 A That was his personal account.

10 Q Okay. And then it says, Step 2, "Please wire \$2

11 million from the 0707 account as follows," and then

12 there's some instructions. Correct?

13 A Correct.

14 Q Indicating that it should be moved to Chase

15 Manhattan for credit to Goldman Sachs. Right?

16 A Correct.

17 Q And then at Goldman Sachs the account of Ken Lay

18 and Linda Lay. Right?

19 A Correct.

20 Q All right. Now, why is it that the money would

21 be moved from one account through the checking account and

22 then to that final account? Is that something that was

23 routinely done?

24 A I know that we did this to -- so we could trace

25 where the funds were going from and to.

1 Q And what do you mean by that?

2 A Well, if I needed to look back a year later or if
3 I needed to trace it and I just had it going from the
4 secured line to the investment, then I wouldn't have a
5 good paper trail.

6 Q Okay.

7 A Was more of a -- for my -- for me as an
8 accountant.

9 Q All right. And just something on a point
10 earlier, you never moved money from one place to the other
11 without telling Mr. Lay first. Right?

12 A Correct. I mean, he's the one that would dictate
13 it.

14 Q Who told you what to do?

15 A Uh-huh.

16 Q Each time?

17 A (Witness nods head.)

18 I don't want to say "each." I mean, there
19 might have been an exception. I don't know.

20 Q Can you remember an exception sitting here today?

21 A No. But I don't feel comfortable saying "every"
22 either.

23 Q Well, would you have moved a million dollars
24 without checking with him first?

25 A No. I would never have moved money. I just

1 don't know, you know, what the source.

2 Q Okay. But your best recollection is you were
3 getting directions from him?

4 A Correct.

5 Q On a routine basis?

6 A (Witness nods head.)

7 Q And then if I can turn your attention to the
8 second page of Exhibit 4.

9 A (Witness complies.)

10 Q This one has an entry. It says from Sally
11 Keepers to Sherrie Womack, someone at Bank of America?

12 A Correct.

13 Q Wiring instructions again. Correct?

14 A Correct.

15 Q And here it says, "Thanks so much, Sherrie." Is
16 this something -- how did this appear here? Were you
17 E-mailing Sally?

18 A Well, no. That's her name, Sherrie Womack.

19 Q Okay. That's not --

20 A She just happened --

21 Q -- you?

22 A No.

23 Q All right. If I can have you turn to the third
24 page.

25 A (Witness complies.)

1 Q Is this Sherrie Womack again here where it says,
2 "Georganne - I'll take care of the wire. Thanks.
3 Sherrie," or is that you?

4 A That's not me.

5 Q Okay. Let's put those aside for the moment.

6 A (Witness complies.)

7 Q Let me have you turn to Tab 2, please. That's
8 Exhibit 2 in your book. There's a series of pages there,
9 and I'll ask if you recognize these generally and then
10 what they are.

11 A (Witness reviewing document.)

12 It was a sheet summarizing lines of credit,
13 the amount of the lines of credit, how much had been
14 already funded, and what was available.

15 Q Okay. And when were these created?

16 A Well --

17 Q I notice there's a date stamped entry at the
18 bottom of these sheets. Were these printed out when there
19 were movements of moneys? Is that what that indicates on
20 these sheets?

21 A I didn't prepare these.

22 Q Well, I know. Just in general.

23 A I -- I assume that was on the -- yes, that must
24 be it.

25 Q Sorry?

1 A I assume that must be it, yes.

2 Q All right. Well, let's just -- let's focus on
3 these for a moment. Who prepared these documents?

4 A I know that Sally Ballard prepared this.

5 Q Okay. And including throughout the time that you
6 had your position, Sally Ballard prepared this? Was she
7 in charge of preparing these things?

8 A She did, and then at some point I think I took it
9 over.

10 Q All right. And at what point do you remember
11 taking it over?

12 A I don't remember.

13 Q All right. But during the time that she prepared
14 them, she would make sure she sent a copy to you. That's
15 what's indicated in the cc line at the bottom. Right?

16 A Correct.

17 Q A copy to Mr. Lay, a copy to Mrs. Lay, and a copy
18 to you. Right?

19 A Correct.

20 Q And what did you do with these documents?

21 A I just verified that I had the same -- that our
22 amount in our Financial Navigator would equal to what was
23 funded, that that was the outstanding payable on the
24 balance sheet.

25 Q Okay. And the entries at the bottom would

1 indicate where, in fact, money was coming from and going.

2 Right?

3 A Correct. And then I --

4 Q This would get circulated to that distribution
5 list?

6 A And then I could check that again to make sure we
7 had it all in our Financial Navigator.

8 Q Okay. So, this was another way to make sure that
9 everybody had information about what was happening with
10 the movements of moneys. Correct?

11 A Correct.

12 Q Let's go through a few of these documents.
13 First, can I ask you why is it that these accounts in
14 particular are on this sort of one-page daily sheet? We
15 have, you know, Compass, Enron, NationsBank, Chase. Why
16 these accounts?

17 A Those were the lines of credit available.

18 Q Are these the accounts that would generally be
19 used for investment purposes, that would -- you would want
20 to keep an eye on -- that Mr. Lay would want to keep an
21 eye on? Is that why they're here?

22 A That was just their lines of credit that was
23 available.

24 Q All right. And so, here's some from Compass.
25 Here's the Enron line. Correct?

1 A Uh-huh.

2 Q NationsBank. Then there's the unsecured line,
3 and there's a zero there. And that would indicate what?

4 A That we -- that nothing was drawn down on it.

5 Q All right.

6 A That's what funded means.

7 Q And over the time that you were controller, were
8 the unsecured lines drawn upon frequently?

9 A Periodically.

10 Q Okay. But were they generally the lines of last
11 resort?

12 A Correct. If they -- looking back at it, it has
13 the highest interest rate.

14 Q Okay. And also, they were lower -- relatively
15 lower than the collateralized lines. Correct? So, for
16 instance, this one here, this unsecured line, it's just a
17 750,000-dollar line. Right?

18 A Correct.

19 Q And the secured lines were much higher generally.
20 Right?

21 A Correct.

22 Q So, for instance, this NationsBank, which is Bank
23 of America, was 37 1/2 million at that time. Right?

24 A (Witness nods head.)

25 Q Is that a "yes"?

1 A Correct.

2 Q Same with some of the other secured lines, the
3 Chase line here, \$5 million?

4 A Correct.

5 Q And were these collateralized lines, the ones
6 that were being used to fund new investments generally?
7 Was that the strategy?

8 A Correct.

9 Q And so, this sheet would be a way for everybody
10 in the distribution list here to keep track of what's
11 happening, where the money's going from these lines.
12 Right?

13 A Correct.

14 Q All right. Now, I notice there was an old
15 notation and then it's a scratch out and a new notation.
16 Were these sheets used and then written over and then
17 distributed? Is that why you see this kind of handwritten
18 notation from time to time? Do you remember seeing those
19 sorts of entries?

20 A Periodically. I don't know why it wasn't, you
21 know, retyped and just written over.

22 Q Generally were they retyped after these sorts of
23 notations would be made?

24 A Usually a new one was sent.

25 Q Okay. And whose handwriting is this, by the way?

1 Do you recognize it?

2 A That's Sally's.

3 Q Okay. And this one appears to say: Today I have

4 borrowed 2,300,000 from the NationsBank line of credit,

5 2 million for -- is that Faya Saratin (phonetics) Goldman

6 Sachs account? Is that what it appears to be?

7 A Yes.

8 Q Okay. And then 240,000 investment, Chase, and

9 the remainder for expenses. Right?

10 A Correct.

11 Q Does that appear to be right?

12 A Yes.

13 Q With the date January 13th, '99. Right?

14 A Correct.

15 Q All right. And then turning to -- I think it's

16 the fourth page there. I'll have you look at another one

17 of these where it's typed in. And drawing your attention

18 to the bottom here, now it says: On 7/15 -- this is of

19 '99 -- SPG -- that's you. Right?

20 A Correct.

21 Q -- borrowed \$2 million from the Chase line of

22 credit for the GS -- that would be Goldman Sachs Large Cap

23 Fund investment?

24 A Correct.

25 Q And today I have borrowed -- "I" meaning Sally

1 Keepers -- 150,000 from the Nations line of credit for
2 expenses. Right?

3 A Correct.

4 Q And this sort of "I borrowed, you borrowed,"
5 that's all coming at the direction of Mr. Lay. Right?

6 A Correct.

7 Q And if I could turn you to the last page in that
8 exhibit. This is another example of one of these daily
9 updates. Right?

10 A Correct.

11 Q And here at the bottom it states on March 15th,
12 2000, "Yesterday we borrowed \$5 million from Bank of
13 America for the TCW investment." Right?

14 A Correct.

15 Q And that \$5 million from Bank of America meant
16 this account here. Right?

17 A Correct.

18 Q In fact, while we're sitting here talking about
19 these various lines, which lines generally were used for
20 investment purposes?

21 It's these on this sheet. Right?

22 A Correct.

23 Q And of these on the sheet, which are the top one,
24 two, three lines used most frequently for investment
25 purposes?

1 A They all were used.

2 Q Which ones were used --

3 A Probably Bank of America because it was the

4 largest line available.

5 Q Okay. You can close the book over for now.

6 A (Witness complies.) Okay.

7 Q Okay. Let's go now to Exhibits 14, 15, and 16,

8 which are those balance sheet comparisons that we looked

9 at briefly before. I think I had you turn to 14. If you

10 could just look at 15 and 16 and tell me if these are the

11 same sorts of documents that you would be putting

12 together, namely the balance sheet comparisons and balance

13 sheet analysis done on a monthly basis.

14 A Correct.

15 Q All right. Now, the balance sheet comparison has

16 notations on the right-hand side in the right column. Who

17 would put in those notes?

18 A I would.

19 Q Okay. And why were you putting in those notes?

20 What was the purpose of putting those notes in?

21 A To describe why an amount went up -- increased or

22 decreased.

23 Q Okay. And to your recollection, was this the

24 habit before you arrived and you continued this project or

25 was this your idea to do this at someone else's request?

1 What do you remember on that?

2 A I don't remember how that originated.

3 Q Okay. Were you doing these monthly sheets in
4 this fashion from the time you arrived until the time you
5 left?

6 A I don't know if I started right away.

7 Q Within a month or two?

8 A I don't know if I started that soon.

9 Q What's your best recollection? Within six
10 months?

11 A Well, these are dated September of 2000.

12 Q This one's March -- the first one's March of
13 2000, and there's one July of 2000, and then there is a
14 September of 2000.

15 A Yeah. So, it must have been a couple of months
16 after I -- well, no, that -- I don't remember.

17 Q Okay. But it's your best recollection within a
18 few months after you started?

19 A No.

20 Q Within a year after you started?

21 A I really don't remember.

22 Q Okay. Well, let's look at a couple of these
23 examples. I'm putting on the first page -- the first page
24 here. First of all, I think you testified earlier that
25 these would go to Mr. Lay. Correct?

1 A Correct.

2 Q Mrs. Lay?

3 A Correct.

4 Q Beau Herrold. Right?

5 A Correct.

6 Q And then I see a "Beau" in the right-hand corner.

7 Does this appear to be his copy?

8 A That's my handwriting. Yes.

9 Q And when you -- we discussed the right-hand

10 column. Right?

11 A Correct.

12 Q If you could just explain for the Grand Jury what

13 this attempted to do, why there was a column here for,

14 say, February, 2000, March, 2000, and variance. Can you

15 explain what these columns were there for and what they

16 were doing in general? And then we'll talk about that

17 right-hand column.

18 A I would look to see what the amount was at the

19 end of one month and at the other month and then the

20 variance would be the activity for that month.

21 Q Okay. And so, this would be your way of

22 informing everybody you distributed it to what was

23 happening in these different areas. Correct?

24 A Correct.

25 Q All right. And so, for instance, under Common

1 and Preferred Stocks, right, this column here, there's a
2 variance of 24 million. Right?

3 A Correct.

4 Q What would that mean then, 24 million? What does
5 that indicate?

6 A That means that the account had increased
7 24 million.

8 Q And it would include, for instance, additional
9 stocks in the PaineWebber account, \$2.8 million. Right?

10 A Correct.

11 Q All right. And then moving down the page,
12 Current Liabilities, what would this refer to here? What
13 would this include?

14 A That would be all the lines of credit and any...

15 Q Okay. And you would put here an indication of,
16 roughly, where the difference came from. Right? Here,
17 \$12,275,000 was spent between the last month and the
18 current month. Right?

19 A Correct.

20 Q And here you wrote 11.42 million was for a new
21 investment. Right?

22 A Correct.

23 Q Remaining for expenses?

24 A Correct.

25 Q So, this is just yet another way on top of those

1 dailies to make sure that everybody knew what was
2 happening with the moneys. Correct?

3 A Correct. And it's also a check for me to make
4 sure that I had everything.

5 Q It's another backup?

6 A Correct.

7 Q And it's distributed throughout so other people
8 can kind of check what you're doing, too. Right?

9 A Correct.

10 Q Including Mr. Lay. Right?

11 A Correct.

12 Q Mrs. Lay?

13 A Correct.

14 Q Beau Herrold?

15 A Correct.

16 Q By the way, why is Beau Herrold getting these?

17 A For him --

18 Q Why -- why does he need to see these?

19 A It gives him a snapshot of the investments. It
20 gives him the overall picture as well.

21 Q Because he's an advisor to the Lays as well.
22 Right?

23 A Correct.

24 Q So, he's yet another person who can be talking to
25 them about what's happening with their money. Right?

1 A Yeah. Everyone has information.

2 Q Okay. Let's turn now -- if I can have you do

3 so -- to Exhibit 3, which is at Tab 3.

4 A (Witness complies.)

5 Q I'll put that one up here. If you can take a

6 look at that and tell me if you recognize that.

7 A Yeah. That's my handwriting.

8 Q Is this a way that you would sometimes do a fax

9 wiring instruction? This is a wiring instruction. Right?

10 A Correct.

11 Q Okay. And it says, "Lorie" -- who's Lorie?

12 Lorie Vinson (phonetics) is where?

13 A She was at Bank of America.

14 Q Okay. And here it says, "Please advance \$5

15 million from the secured line of credit" at Bank of

16 America. Right?

17 A Correct.

18 Q -- "and deposit in account 0707" -- that's the

19 checking account. Right?

20 A Correct.

21 Q -- "then debit the account" -- meaning transfer

22 it right out. Right?

23 A Correct.

24 Q -- "for the following wire transfers."

25 A Correct.

1 Q And that would be this Bank of Kansas for the TCW
2 Galileo Aggressive Growth Equities Fund, 2.5 million.
3 Yes?
4 A Correct.
5 Q And then also 2.5 million for another Bank of
6 Kansas account for Galileo Small Cap Growth Fund. Right?
7 A Correct.
8 Q Again, accounts of Mr. and Mrs. Lay in each
9 instance. Right?
10 A Correct.
11 Q Okay. Let me have you turn to Tab 6, please,
12 Exhibit B-6.
13 A (Witness complies.)
14 Q If I can have you describe what this appears to
15 be.
16 Are you at B-6?
17 A Yes, I am.
18 Q What is that?
19 A It's the detail on activity within a line of
20 credit.
21 Q Did you create this?
22 A This report is created by Financial Navigator.
23 Q Did you -- did you work Financial Navigator to
24 create this report?
25 A Correct.

1 Q All right. I'm going to put this up here. This
2 says, "KLL and LPL Investments, Ltd." What's that? The
3 family partnership?

4 A That is the family partnership.

5 Q Transactions by account from January, 2000, to
6 December, 2000. Right?

7 A Correct.

8 Q All right. Why did you -- is this an annual
9 report?

10 A No. I was doing this to assist me in a -- some
11 tax preparation. I was trying to trace what we used the
12 money for. And then --

13 Q Summary tracing for the year?

14 A Right. And then try to allocate the interest
15 based on whatever the funds were used for. It was a tool
16 for me to use for tax preparation.

17 Q All right. Did you forward this to anybody else?

18 A No.

19 Q But it was another way to double-check and make
20 sure everything moved in a way that you had indicated on
21 the monthly balance sheets and in those dailies as they
22 were printed out. Right?

23 A I used those dailies to help me --

24 Q Compile that?

25 A Correct.

1 Q Okay. And those handwritten entries, those are
2 yours?

3 A Correct.

4 Q Okay. Let's turn to Tab 7. Take a moment to
5 read Tab 7.

6 This appears to be a memo from you. It says
7 from Sherrie to Ken. That would be from you to Ken Lay.

8 Correct?

9 A Correct.

10 Q Do you need a moment to read this?

11 A Please.

12 (Witness reviewing document.)

13 Q Please. And while you're reading, I'll put it up
14 here. Then we'll read it aloud.

15 Do you recall -- first, have you finished
16 reading it?

17 A Yes, I have.

18 Q Why did you write this memo? Do you remember?

19 A To inform Mr. Lay of the transactions that I had
20 done.

21 Q Okay.

22 A Or what was available.

23 Q And to also ask for his opinion as to how to fund
24 and make these investments, right, contributions?

25 A Correct. Again, I was providing information.

1 Q Because that's what your job was as a facilitator
2 of information. Right?

3 A Correct.

4 Q But the decision maker is Mr. Lay. Right?

5 A Correct.

6 Q All right. So, for instance, in here it says,
7 "You currently have 2.5 million funded of the \$11,675,000
8 commitment." Right?

9 A Correct.

10 Q And you're talking about another installment of
11 2.5 million being due?

12 A Correct.

13 Q And then later you talk about how these
14 contributions could be made. Right?

15 A Correct.

16 Q And you give him some alternatives. You say that
17 "In order to make contributions to the Lay Family
18 Foundation or Fidelity Charitable Gift Fund, the Chase and
19 the Enron Corporation lines of credit could be used to pay
20 down on the Bank of America and PaineWebber Lines of
21 Credit in order to release the" Enron "shares with the
22 lowest cost basis. Please advise."

23 A Correct.

24 Q And so, he got back to you with some advice as to
25 what to do. Right.

1 A Correct.

2 Q Okay. Let me have you turn to Tab 8 and ask if
3 you recognize that.

4 A Yes. I mean, I --

5 Q Go ahead. Do you want some time to read it
6 through, or do you recognize it right away?

7 A I don't. I need to read it.

8 Q Go ahead and take a couple of moments.

9 A (Witness reviewing document.)

10 Q Just first, this is another memo from you to Ken
11 Lay?

12 A Correct.

13 (Witness reviewing document.)

14 I've had time to read.

15 Q Okay. Do you remember what this concerns?

16 A Again, it just -- having to do with the overall
17 debt.

18 Q All right. Whose handwriting is this at the
19 bottom?

20 A That's Mr. Lay's.

21 Q All right. At times would he write a written
22 response to you giving some feedback?

23 A Yes.

24 Q And then he would forward it to you?

25 A Correct.

1 Q At times would he pick up the phone and just talk
2 to you about what he wanted to do instead of writing a
3 response? I'm just talking in general.

4 A No. Generally he would write it.

5 Q Okay. If there was a reaction or a "don't do
6 that" sort of thing?

7 A Correct.

8 Q All right. Okay. Let me have you turn to
9 Exhibit B-9.

10 A (Witness complies.)

11 Q And I'll ask you if you recognize -- actually,
12 you know what? Let's skip --

13 A No. I mean --

14 Q That's before your time. I'm sorry about that.

15 A Yes.

16 Q Let's move on.

17 Ms. Gibson, can you describe for the Grand
18 Jury what is a purpose loan and a nonpurpose loan? What
19 is a purpose loan?

20 A In what sense? Are you --

21 Q Well, let me just take a sheet from the first
22 page of Exhibit 2 and put it up here, which is -- these
23 are the dailies. And there are notations by these loans.
24 For instance, the big 37 1/2 million-dollar loan, which
25 became a 40-million-dollar loan, it says nonpurpose. What

1 does that mean?

2 A It's not designated for a certain purpose.

3 Q Which purpose is that?

4 A If you get a mortgage, the purpose is to borrow
5 on a house. This had -- did not have a purpose. So, you
6 could use the funds at your discretion.

7 Q Well, nonpurpose meant that you couldn't use it
8 for a certain purpose. Right?

9 A I'm not sure.

10 Q All right. When bank documentation would come
11 in, like the loan forms and certifications to be signed,
12 who would handle that? If Mr. Lay needed to assign you
13 bank documents, who would handle that paperwork? Would it
14 come through you?

15 A It would come to me.

16 Q All right. And on these large lines of credit
17 that were collateralized, these had to be renewed,
18 roughly, each year, right, return --

19 A Correct.

20 Q -- agreement was to -- January to January?

21 A It was for a period of a year.

22 Q Okay. So, each year there were new papers to be
23 signed. Right?

24 A Correct.

25 Q And what was your role with respect to handling

1 that paperwork?

2 A I would receive them, an attorney would review
3 them, and then I facilitated the execution of a document.

4 Q How did you do that?

5 A I would forward them on to Mr. Lay.

6 Q Okay. Would you hand them to him or --

7 A I would -- no -- send them interoffice.

8 Q And then what would happen? Would they come back
9 signed by him and Mrs. Lay if they required her signature
10 as well?

11 A Correct.

12 Q So, presumably if you sent them to him at the
13 office, you'd have to trundle them on home to get Mrs. Lay
14 to sign them, too, and then they'd come back?

15 A I don't know how that worked.

16 Q Or she came in. One way or the other both
17 signatures were coming up --

18 A Correct.

19 Q -- in the documents. Right?

20 All right. Okay. I'll have you turn to
21 Exhibit 13, which is a series of documents that state that
22 Statement of Purpose for an Extension of Credit Secured by
23 Margin Stock. Now, these begin dating in '93 before
24 you're there, but about halfway through, if you page
25 through them -- are you at Exhibit B-13?

1 A Yes.

2 Q Okay -- about halfway through, documents are

3 beginning to be signed as of December of '97, and that's

4 when you're there. Right?

5 A Yes.

6 Q Okay. Do you remember seeing these Statements of

7 Purpose for an Extension of Credit with entries to be

8 filled out, signatures to be had on these lines of credit?

9 A Yes.

10 Q What did you do with these? Did you help fill

11 these out?

12 A No.

13 Q Who would write in this here (indicating)?

14 A The banker.

15 Q Okay. And you would forward these on for Mr. Lay

16 to fill this out, to review, and to sign. Is that right?

17 A Correct.

18 Q Did you ever take the time to review these

19 documents?

20 A I just -- I didn't review them.

21 Q Okay.

22 A They were -- had always been part of the package,

23 and that's what the banker said was required to get the

24 loan.

25 Q Okay. So, it's not your loan, I guess. You're

1 just moving these papers to Mr. Lay and then he's
2 reviewing and signing and dealing with them. Is that
3 right?

4 A Correct. But they have -- were part of a
5 package. So, they would have been reviewed.

6 Q Reviewed by who?

7 A An attorney.

8 Q As well as reviewed by Mr. and Mrs. Lay --

9 A Yes.

10 Q -- because they were stating they're reviewing
11 them and they're signing them. Right?

12 A Right.

13 Q Have you heard of this Regulation U before?

14 A No. If I did, I -- I don't remember.

15 Q Okay. Let's look at the instructions. It says,
16 "This form must be completed when a bank extends credit in
17 excess of \$100,000 secured directly or indirectly, in
18 whole or in part, by any margin stock." Right? Do you
19 read that?

20 A I see it.

21 Q And the second entry says, "The term 'margin
22 stock' is defined in Regulation U and includes,
23 principally: (1) stocks that are registered on a national
24 security exchange or that are on the Federal Reserve
25 Board's List of Marginable over the counter stocks."

1 Right?

2 A That's what it states.

3 Q Okay. So, margin stock is any traded stock.

4 Right?

5 A Correct.

6 Q And then it also says it includes "debt
7 securities," which are bonds "that could be convertible
8 into margin stocks, any over-the-counter security,"
9 designed or designated as qualified for trading in the
10 national market system, and "shares of mutual funds,
11 unless 95 percent of the assets" of the fund "are
12 continuously invested in U.S. government agency, state, or
13 municipal obligations." Right?

14 A Correct.

15 Q And then down here there's a certification
16 section on this. Correct?

17 A Correct.

18 Q And it says, "Will any part of this credit be
19 used to purchase or carry margin stock?" Right?

20 A Correct.

21 Q And then the box is checked "no." Right?

22 A Correct.

23 Q And the purpose just says "personal expenses."
24 Right?

25 A Correct.

1 Q Ms. Gibson, these lines of credit were used for
2 more than just personal expenses, weren't they?

3 A Well, they were turned over -- at any given time
4 there could have been -- it could have been expenses.

5 Q Well, not --

6 A Which they were paid off, and then they were
7 re --

8 Q Well, when --

9 A -- re-drawn up.

10 Q The question in 2 here is, "Will any part of this
11 credit be used to purchase or carry margin stock?" In
12 fact, part of those lines of credit were being used to
13 buy -- to make investments in stock accounts to buy stock.
14 Right? That's what you saw.

15 A This is a different line of credit, though.

16 Q Okay. Let's assume I have one for Bank of
17 America. There's one of these for all those lines of
18 credit.

19 A Okay.

20 Q It's simply true, isn't it, that these lines of
21 credit were being used, at least at times, to invest --
22 open accounts and invest in stocks. Right?

23 A Private equities.

24 Q Uh-huh. Private equities and also Charles Schwab
25 accounts, other accounts where stock was being purchased.

1 Right?

2 I showed you some fax sheets earlier, the
3 Large Cap Growth. The ones I showed earlier were, in
4 fact, purchases of stock. Right?

5 A Correct.

6 Q Okay. And were you aware at all of this
7 prohibition during this time period where you were
8 controller?

9 A No, I was not.

10 Q Okay. Who, Ms. Gibson, told you to write on the
11 dailies this, "nonpurpose"?

12 A I didn't.

13 Q It was already the practice and procedure when
14 you arrived?

15 A Correct.

16 Q All right. Let's go -- I'm going to bring you to
17 the last two pages of that exhibit.

18 You asked what bank line this was. Here's
19 one at Bank of America, right, same form -- appears to be
20 the same form. Do you see it?

21 A Okay.

22 Q If you want to look at your hard copy, you can
23 turn to the second -- the last two pages there. Do you
24 see it?

25 A Okay.

1 Q All right.

2 A Yes.

3 Q This is the 40-million-dollar line of credit,

4 right, this form? Do you see this one?

5 A No. This is for the investment partnership.

6 Q Oh, you're looking at this one right here?

7 A Oh, yes.

8 Q The 10 million?

9 A That's the one I'm looking at.

10 Q Okay. We'll start with that one. This is the

11 investment partnership which was held at Bank of America.

12 Right?

13 A Correct.

14 Q Same form again. Correct?

15 A Correct.

16 Q Okay. Once again, it says, "Will any part of

17 this credit be used to purchase security margin stock?"

18 The box is checked "no." Right?

19 A Correct.

20 Q Did you type that in?

21 A No.

22 Q All right. And then it says, "If the answer is

23 no, describe the specific purpose of the credit." It

24 states, "business, commercial, investment or similar

25 purposes, other than to purchase, refinance, or otherwise

1 carry stock or other securities." Right?

2 A Correct.

3 Q Did you write any of that stuff in?

4 A No.

5 Q Okay. Did you ever write in these descriptions

6 on these forms at any time while -- while you were a

7 controller there?

8 A I don't remember.

9 Q Well, do you ever recall specifically writing in

10 entries on these forms? Do you have a specific

11 recollection of ever writing --

12 A I do -- I do not.

13 Q You don't remember doing that?

14 A I do not.

15 Q Okay. Because earlier you had told -- in fact,

16 you don't even recollect these forms specifically, do you?

17 Is that your testimony?

18 A Correct.

19 Q Do you remember seeing this sort of form?

20 A After you brought it back to my attention, yes.

21 Q All right. So, you do remember seeing these

22 forms in the course of your time there. Right?

23 A Correct.

24 Q Did you ever take the time to read one of those

25 forms?

1 A Yes. And then I, you know, talked to the banker;
2 and that's how they filled it out. You're the first
3 person that brought that to my attention.

4 Q Brought what to your attention?

5 A Apparently something is not done correctly.

6 Q Meaning that you're looking at this now and now
7 realizing that something wasn't done correctly. Right?

8 A Correct.

9 Q In all this time, you never remember Mr. Lay
10 calling you after a daily report or something saying,
11 "Well, wait a minute. We can't use the B of A
12 40-million-dollar line to open a stock account." Right?

13 A No.

14 Q There was never any correction to that. Right?

15 A No.

16 Q Just went forward. Right?

17 A Correct.

18 Q Did you know the bankers and talk to them about
19 these forms, meet with them, discuss the different terms
20 of these agreements?

21 A I don't remember a specific meeting. I know
22 they're aware, you know, of the wires that we requested.

23 Q All right.

24 A But I do not remember a meeting.

25 Q Now, you said these certifications came as part

1 of the annual loan packages, correct, all the lines of
2 credit?

3 A I don't remember.

4 Q Okay. I thought you testified earlier that you
5 recall these coming in with other lines of credit?

6 A Well, after I saw it, I mean, but you're asking
7 me --

8 Q It refreshed your recollection, did it not?

9 A Correct.

10 Q Okay. So, now --

11 A But I don't know if it was every package.

12 Q You remember them coming in with packages?

13 A Correct.

14 Q And the packages would include Pledge Agreements.
15 Right?

16 A Correct.

17 Q And you know what a Pledge Agreement is. Right?

18 A Correct.

19 Q Okay. Pledge Agreement has certain conditions
20 that the borrower is agreeing to. Right?

21 A Correct.

22 Q Did you ever attempt to help Mr. and Mrs. Lay
23 with their understanding of the Pledge Agreements? Did
24 you ever review that with them, or did you leave it with
25 the bankers?

1 A I left it with the attorneys and the bankers.

2 Q And with the Lays?

3 A Correct.

4 Q Let me just pull from Exhibit 11, B-11 -- if I

5 can have you take a look at that. These are three Bank of

6 America Pledge Agreements. Do you remember seeing Pledge

7 Agreements like this while you were controller?

8 A Correct. Correct.

9 Q Do you ever remember looking at these carefully,

10 Ms. Gibson?

11 A No.

12 Q All right.

13 A I mean --

14 Q Even with the Finger family, were you familiar

15 with these sorts of Pledge Agreements for nonpurpose

16 loans?

17 A I don't remember.

18 Q Did the Finger family have nonpurpose loans?

19 A Not to my recollection.

20 Q So, was the Lay family the first time you

21 encountered these nonpurpose and purpose lines of credit?

22 A Correct.

23 Q Okay. And so, the provision here at the bottom

24 of the page says, "Use of Proceeds: The proceeds of any

25 indebtedness or obligations secured by the Collateral will

1 not_be used" -- underlined -- "directly or indirectly to
2 purchase or carry any 'margin stock' as that term is
3 defined in Regulation U of the Board of Governors of the
4 Federal Reserve System," "or to reduce or retire any
5 indebtedness incurred for such purpose." Right? And
6 Regulation U is what was described in that other
7 certification form. Right?

8 A Yes.

9 Q And at the end of these documents, the Pledge
10 Agreements, these are the signatures of who?

11 A Of Mr. and Mrs. Lay.

12 Q All right. Did you have any dealings with Howard
13 Williams?

14 A Yes, I did.

15 Q Okay. Would he forward you these documents to
16 bring to the Lays?

17 A Yes, he would.

18 Q At times would he meet with the Lays, to your
19 recollection?

20 A I think he did meet with Mr. Lay once.

21 Q And what do you recollect was the reason for that
22 meeting?

23 A I don't remember if it was just to meet him or to
24 discuss business.

25 Q Okay. Let me have you turn -- and when do you

1 recall that happening?

2 A I really don't remember which period of time.

3 Q Can you give me a rough estimate? Was it the
4 year 2000? Was it 2001? 1999? Early in your tenure?

5 A It was early in my tenure.

6 Q Do you remember how long the meeting was?

7 A No.

8 Q How is it that you remember this?

9 A I remember him, you know, wanting to meet him;
10 and they met.

11 Q Okay.

12 A I don't remember anything past that.

13 Q Okay. The bank loan papers filled out on an
14 annual basis also had promissory notes. Right?

15 A Correct.

16 Q Can you explain to the Grand Jury what's a
17 promissory note?

18 A I really don't know how to describe it.

19 Q Well, you're a CPA. Just in general terms,
20 what's a promissory note?

21 A Well, it's an agreement to pay back money that
22 you borrowed.

23 Q It's your promises, right, as a borrower? Yes?

24 A Yes.

25 Q With certain conditions and agreements on when

1 you're supposed to repay it and what you're supposed to do
2 with the loan. Right?

3 A Correct.

4 Q And I'm showing you Exhibit B-12. Do you recall
5 ever seeing promissory notes like this? And this one is
6 from Chase Bank. Do you remember seeing the Chase Bank
7 promissory notes?

8 A May I take a break?

9 Q Yes, you may.

10 Why don't we take a ten-minute break.

11 (Break.)

12 Q (By Mr. Hueston) All right. Ms. Gibson, I want
13 to ask you about a different topic. Were you aware of
14 lawsuits filed against Ken Lay in October and November of
15 2001?

16 A No.

17 Q Were you aware that he was being named as the
18 defendant in actions -- shareholder actions suing for
19 damages?

20 A No.

21 Q Did you not process any of that legal paperwork?
22 Do you remember seeing that?

23 A No.

24 Q In December of 2001, Mr. Lay paid off -- or
25 Mrs. Lay -- they paid off their mortgage on their primary

1 residence. Right?

2 A Correct.

3 Q Why did they do that?

4 A I don't know.

5 Q You have no idea?

6 A No.

7 Q Were you ever in meetings where the reasons were

8 discussed?

9 A No.

10 Q Who instructed you to go ahead and make the

11 movement of funds to pay off the mortgage?

12 A I don't remember.

13 Q Well, it would either have been Ken Lay or Linda

14 Lay. Right?

15 A Or it could have been Beau.

16 Q Through Beau?

17 A Right.

18 Q Who got directions from Mr. and Mrs. Lay?

19 A Correct. But I don't remember who.

20 Q Okay. That's all the questions that I have.

21 I'll ask you to stand outside. I'm going to ask the Grand

22 Jurors if they have any questions.

23 A Okay.

24 (Witness exits.)

25 (Witness enters.)

1 Q (By Mr. Hueston) Ms. Gibson, there are no
2 questions from the Grand Jurors. So, you are excused.

3 A Thank you.

4 (Proceedings concluded.)

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3 I, IDA H. SALINAS, CSR, a Certified Court
4 Reporter and Notary Public in and for the State of Texas,
5 having been duly sworn in as the Grand Jury Reporter,
6 hereby certify that the foregoing pages constitute a true
7 and correct transcript of the proceedings had and
8 testimony adduced in said cause at the time and place as
9 hitherto set forth; that the interrogatories and answers
10 by the witness were taken down by me in shorthand and
11 thereafter reduced to typewriting.

12 AS WITNESS MY HAND AND SEAL OF OFFICE this
13 11th day of July, 2004.

14

15

16

17 IDA H. SALINAS, TEXAS CSR 4469
18 Expiration Date: 12/31/2004

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